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To: Area Managers of Operations

Subject: Legislated Non Self Service Markets

Gentlemen,

Steve Zitta, recently concluded a test to determine the value of our package contract programs in various non self service positions. The study monitored sales activity in the Austin Texas market, which passed a legislative NSS mandate last summer.

The conditions measured were as follows:

- Primary selling counter, cash register position - high visibility
- Primary selling counter, away from the "selling zone" - low visibility
- Backbar, highly visible to the consumer
- Backbar, low visibility

The primary selling counter at the cash register performed the best with a positive share performance of up to 2 share points over the other conditions with less visibility. Although this result is not surprising we do need to communicate this information to our people to ensure that they are focused on maintaining/securing the cash register position when legislative mandates are passed locally. Also PM has already established rates for legislated markets that are higher than their standard NSS rates.

At this time we will not issue special LNSS contracts/rates but we do want to give the field payment flexibility to differentiate between standard NSS positioning (backbar) and primary NSS positioning (counter). Therefore, the field is authorized to use the following rate formula to place display(s) in the primary selling area (cash register, front and selling side and/or first position away from register):

- Use variable enhancement rate to create a payment up to the midpoint between standard NSS and standard \$S rates
 - Example: RJR volume 40 CPW
 - Standard Level 2 \$S rate is \$150
 - Standard Level 2 NSS rate is \$80
 - Available enhancement dollars for counter position is \$1-\$45

*MUST BE ON
THE COUNTER!*

** Must have RSM APPROVAL*

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